

Apprenticeship funding for employers who do not pay the apprenticeship levy

Reservation of funds guidance

From January 2020

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Introduction

During 2020 we are changing the way that employers who do not pay the apprenticeship levy arrange their apprenticeships. We will be moving away from the use of Government-procured contracts for apprenticeship training to a system in which employers will select an apprenticeship standard, choose their training provider and secure access to funding for all new apprenticeships through the digital apprenticeship service. In doing so we want to give smaller employers greater control over their apprenticeship choices.

This document sets out the policy by which we will initially operate the reservation of funds to support a managed and gradual transition to the new arrangements.

From January 2020 employers who do not pay the apprenticeship levy will be able to create accounts on the apprenticeship service and begin arranging their own apprenticeships. These employers will be able to:

- Choose from a range of apprenticeship standards;
- Choose a provider from the Register of Apprenticeship Training Providers (RoATP) to deliver apprenticeship training;
- Find an End-Point Assessment Organisation (EPAO);
- Reserve access to funding for apprenticeship training and assessment;
- · Agree contracts with providers; and
- Benefit from collaborative relationships by delegating permissions to providers to service their accounts.

We will be managing carefully the transition from contracted training provision to a system in which all new apprenticeship starts are arranged by employers via the apprenticeship service. Until autumn 2020 employers who do not pay the apprenticeship levy will be able to access apprenticeship training either through a provider with an existing Government contract or via the apprenticeship service. By autumn 2020 we intend for all new apprenticeship starts to be arranged through the apprenticeship service.

In order to help us forecast, monitor and manage the availability of funding for apprenticeships through the apprenticeship service, employers who do not pay the apprenticeship levy will be required to reserve funds before an apprenticeship can commence. In the longer term we may choose to operate the reservation of funds in a different way to ensure the continued availability and affordability of apprenticeships.

The policy within this document applies from January 2020. We will keep this policy under review as we monitor how the new arrangements are working during 2020, and will publish changes to this policy when required. This document should be read alongside:

- The apprenticeship funding rules
- The ESFA apprenticeship agreement for employers
- Guidance on gov.uk on how to use the <u>apprenticeship service</u>. Simply search "How to use the apprenticeship service", or use our <u>ESFAGOVUK</u> YouTube channel, which includes a playlist called 'Using the apprenticeship service'.

Reservation of funds

The Education and Skills Funding Agency (ESFA) has previously used annual contract allocations to manage the amount of apprenticeships funding that we make available to contracted training providers. One of the things this has enabled us to do is to ensure that funding for apprenticeships is affordable within the Government's overall budget for apprenticeships. In moving away from Government contracts and introducing a system in which employers can choose their apprenticeship and their training provider via the apprenticeship service, we have developed a new mechanism to achieve the same objectives – 'reserve my funding'.

From January 2020 employers who do not pay the apprenticeship levy will be able to reserve funding for an apprenticeship in advance of recruitment or an offer of an apprenticeship being made to an existing employee. This reservation ensures that employers can plan, and that funds will be available to pay for the training from the point the apprenticeship starts. The employer must then turn this 'reservation' into a 'commitment' once the training provider and an apprentice are confirmed. At this point funding can be released to the training provider in the usual way.

During 2020 these new arrangements will run alongside the existing Government contracts for training provision so that we can test demand and operation of the system. As such we anticipate a gradual increase throughout 2020 in the number of employers arranging their own apprenticeships via the apprenticeship service. To enable us to manage this transition and ensure that the apprenticeship service is meeting the needs of users, and that the programme overall remains affordable, we will initially apply the following constraints:

- Employers can reserve funding for apprenticeship standards only;
 (Employers seeking to arrange training for apprenticeship frameworks, which will be withdrawn as of August 2020, should do so via providers with existing training contracts) and
- Employers may make reservations for up to three apprenticeship starts.

As we are satisfied that the new arrangements are operating effectively we will consider adapting our policy on how the reservation of funds operates. 'Reserve my funding' will enable us to forecast, monitor and manage apprenticeship funding. To ensure that the spend on apprenticeships training remains affordable within the Government's overall budget for apprenticeships, we will continue to manage access to reservations for employers during and beyond the transition period.

Who will reservations apply to?

- 1. During the transition period until autumn 2020, employers who do not pay the apprenticeship levy can choose to use the apprenticeship service to arrange an apprenticeship, alongside existing arrangements of accessing training via a provider with a Government contract, subject to the provider having sufficient funds available in their allocation.
- 2. If an employer who does not pay the apprenticeship levy chooses to use the apprenticeship service to access apprenticeship funding, they will be required to reserve funds for prospective apprentices undertaking apprenticeship standards.

- 3. For the transition period, the following are in scope for reservations:
 - Employers who do not pay the apprenticeship levy;
 - Apprentices due to start on or after 1 January 2020;
 - Funding for apprenticeship standards only;
 - Apprenticeships with main providers listed on the RoATP.
- 4. The following are out of scope for reservations:
 - Funding for apprenticeship frameworks;
 - Apprentices starting before 1 January 2020;
 - Apprenticeships arranged, and funded, through contracted training provision. An apprentice cannot be funded through both reservations, and via contracted provision, for the same apprenticeship.
- 5. During the transition we will keep under review how the reservation policy is applied.

How will reservations work?

- 6. Employers who do not pay the apprenticeship levy will be able to reserve funding for apprenticeship standards from January 2020. Initially, employers will be limited to three 'active or used' reservations at any given time. This will allow us to test the operation of 'reserve my funding' on the apprenticeship service in a controlled way and ensure it is meeting the needs of users.
 - An 'active' reservation is where the reservation has not yet turned into a commitment and has not yet expired;
 - A 'used' reservation is where the reservation has been turned into a commitment.
- 7. Reserving funds is an action that must be undertaken by an employer prior to recruiting an apprentice or confirming a start date with an existing employee. The employer may give a provider their permission to do this on their behalf through the apprenticeship service.
- 8. Each reservation is linked to an employer and their account. If a provider reserves the funds on behalf of the employer, the employer can still use this reservation with any provider. The employer can change the provider at any time up to the point of turning the reservation into a commitment.
- 9. Once a reservation has been made, funds are guaranteed for that apprenticeship, subject to the reservation being turned into a commitment, and all other eligibility criteria being met as detailed in the Apprenticeship Funding Rules. This will be the eligibility criteria that is in place at the time the apprentice starts on programme and not when the reservation is made.
- 10. The ESFA will monitor the number of reservations being made by employers and retains the right to amend the operation of 'reserve my funding' for example, by reducing or increasing the number of active reservations an employer may make, or restricting the ability to reserve funds for a given month. Changes to our policy will be set out in revised editions of this policy document.

How to make a reservation

- 11. Employers who do not pay the apprenticeship levy will be able to create accounts on the apprenticeship service from January 2020.
- 12. Once employers have set up their account and accepted the employer agreement, they can reserve funds.
- 13. When making a reservation the following details will be required:
 - the month the apprenticeship training will start;
 - the apprenticeship standard.
- 14. From January 2020 employers will be able to make reservations for apprenticeships that are due to start in January, February or March. We intend to allow employers to reserve funds up to three months before an apprenticeship is planned to start. As such, we intend that reservations for April can be made from February.
- 15. Once a reservation has been made it can be converted into a full apprenticeship record, or a commitment, by adding the chosen apprentice's details and being agreed by both the employer and provider.
- 16. Individualised Learner Records (ILR) and returns remain an essential feature of apprenticeship funding arrangements and will still need to be completed by providers.

Expired and deleted reservations

- 17. Reservations will expire if they are not turned into a commitment within 3 months of the apprenticeship start date, detailed within the reservation.
- 18. Where a reservation is not required it can be deleted by using the apprenticeship service.
- 19. Expired and deleted reservations cannot be turned into commitments. Where a commitment is needed, and a previous reservation has expired or been deleted, a new reservation must first be made.
- 20. Expired and deleted reservations are not classed as active reservations and will not count towards any reservation limits that are applied in the apprenticeship service.
- 21. Instructions on how to use the apprenticeship service to create an apprenticeship service account, make reservations and commitments, and more can be found on gov.uk.
- 22. The <u>funding rules</u> also provide additional information on reservation of funding for employers and providers.